

ON THE EDGE – FEBRUARY 2026

Market Review

Several of the major averages rallied to new highs to start out the New Year despite an onslaught of geopolitical events, rising yields, weakening consumer confidence and tariff threats. These headwinds were offset by tame inflation reports and jobs data that, while softer, was not collapsing. The market got off to a fast start as the capture of Venezuelan leader Maduro triggered a rally, with the DJIA, S&P 500, NYSE, DJ Transportation Index, Philadelphia Semiconductor Index and Russell 2000 all posting new record highs. The rally was led by oil refiners and semiconductor stocks, while metals and healthcare also outperformed. As the month wore on, volatility began to increase as renewed tariff threats against the EU, geopolitical turmoil spilling into Iran, and mixed earnings from the Money-Center banks pressured the major averages. Trump's threat of tariffs on the EU over an attempt to acquire Greenland midmonth rattled global markets, and the S&P 500 and NASDAQ erased their year-to-date gains. Banking stocks and credit card issuers were sold after White House comments proposing a one-year cap on credit card rates at 10% weighed on equities and a rotation out of mega cap software and "Magnificent Seven" stocks kept a lid on gains as the month was ending.

Economic data came in better than expected with November PPI and December CPI showing inflation in line with estimates, alongside a jobs report that beat consensus expectations. Treasury yields moved higher on the data with the 10-year yield testing resistance near 4.20%, its highest level since September. Markets showed little reaction to the Federal Reserve leaving rates unchanged, as the CME Group FedWatch tool had assigned a 98% probability of no change, and investors instead focused on upcoming inflation data and earnings from several technology heavyweights. Earnings from the "Magnificent Seven" were mixed, but major indexes took another leg lower following a hot inflation reading with January ending, as December core-PPI jumped +0.7% versus expectations of +0.3%. After the strong start to the year, the DJIA closed lower for three consecutive weeks for the first time since December 2024. Precious metals surged to new record highs before reversing on the final day of the month, when traders sold gold and silver after parabolic advances. Sector leadership came from Energy (XLE), Materials (XLB), Consumer Staples (XLP) and Industrial (XLI) sectors, while Financial (XLF), Technology (XLK) and Health Care (XLV) underperformed.



For the month, the DJIA added 829.18 points (1.73%) and settled at 48892.47. The S&P 500 was higher by 93.53 points (1.37%) for the month and closed out at 6939.03. The NASDAQ rose by 219.83 points (0.95%) and finished at 23461.82. The small cap Russell 2000 surged by 131.83 points (5.31%) and settled at 2613.74.

Market Outlook

The technical condition of the market deteriorated toward month-end but remained above key moving average support levels. Several technical indicators slipped into neutral-to-negative territory, with MACD, a short-term trend gauge, crossing into bearish ground, while Momentum, as measured by the 14-day RSI, was neutral. As the month was ending the DJIA, S&P 500 and NASDAQ were approaching their respective 50-day moving averages, which will be watched by traders. A decisive break below these levels could induce additional selling pressure going forward. VIX, often viewed as a measure of investor concern over potential weakness or volatility, nudged higher during the month but remained in a neutral range despite two brief spikes. A sustained move above 20 in the near-term would suggest growing investor concern and could signal a pause in the market's uptrend. Secondary indexes, which include the DJ transportation Index, the small cap Russell 2000 and Philadelphia Semiconductor Index (SOX) finished mixed late in the period but continued to outperform the broader market. All three have posted new record highs recently and are not signaling a selloff at this juncture. Additionally, ongoing sector rotation into more cyclical areas remains supportive of the market and suggests potential for further upside, provided key support levels continue to hold. However, projected negative Cyclical Trend Index (CTI) readings in mid-February could limit upside.

Cyclical Trend Index (CTI): Positive

The CTI is Positive at +3, down six notches from the previous month. The counts for Cycles B, C and D are bullish, while Cycles A and E are bearish. It should be noted that the CTI is projected to slip into a negative configuration in February.

Cycle	Average # Of Weeks In The Cycle	# Of Weeks Since Previous Bottom	Bullish Or Bearish Connotation
A	6 + or -1 Week	4 Weeks	Bearish
B	18 + or -2 Weeks	10 Weeks	Bullish
C	36 + or -4 Weeks	10 Weeks	Bullish
D	72 + or -7 Weeks	42 Weeks	Bullish
E	216 + or -20 Weeks	172 Weeks	Bearish

The following are projected CTI readings through the week ending 2/27/26.

Week Ending	CTI	Connotation
1/30/26 (Actual)	+3	Bullish
2/06/26 (Projected)	+3	Bullish
2/13/26 (Projected)	-3	Bearish
2/20/26 (Projected)	-4	Bearish
2/27/26 (Projected)	-4	Bearish

** The CTI is the total of the plus and minus values assigned to each cycle based on the number of weeks that have passed since their previous cyclical bottom. For a detailed explanation of the market timing models, click "Market Letter Help" at the top of the 'Market Letter'.

Momentum Index: Neutral

As of the close on 1/30/26, the Momentum Index is Neutral at 0, down four notches from the previous month. The Momentum Index is a gauge of bullish or bearish divergence in the market. Readings of +4 and higher are regarded as bullish signaling stronger performance from the majority of the broader indexes vs. the DJIA. Conversely, readings of -4 or lower are regarded as bearish. Below is a chart of the performance of seven of the major broad market indexes included in the Momentum Index vs. the DJIA since the last major cyclical highs.

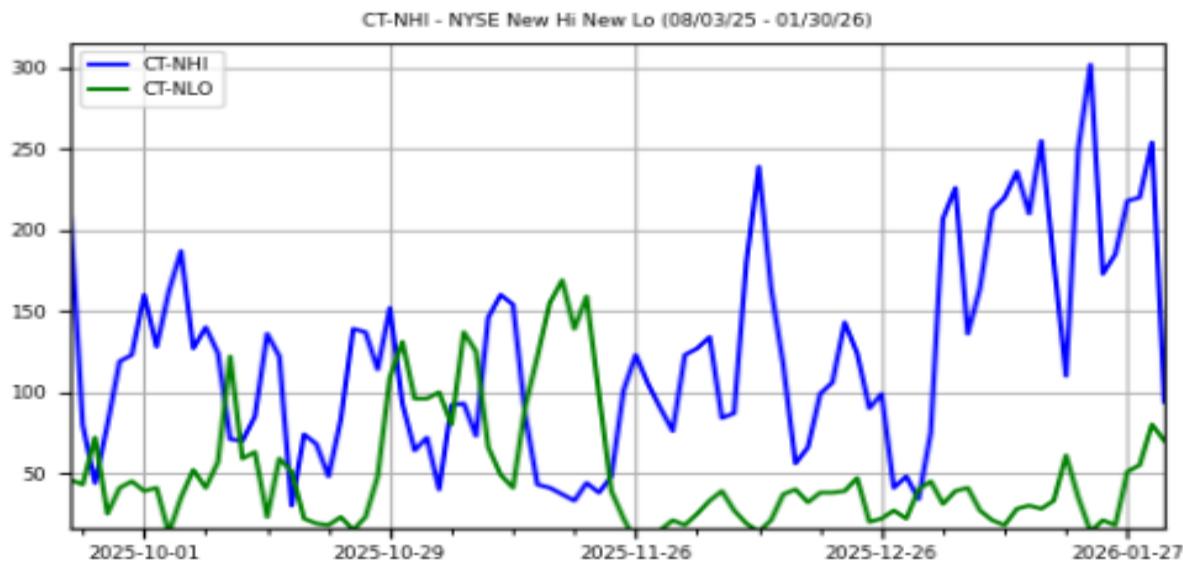
Prev Lows	DJIA	DJTA	S&P 500	NYSE	R-2000	NASDAQ	UTIL	A/D LINE
Nov. 2025	45752.26	16013.90	6538.76	20912.89	2305.11	22078.05	1104.18	565824
1/31/2026	48892.47	18300.31	6939.03	22719.33	2613.74	23461.82	1091.27	577332
%Change	6.9%	14.3%	6.1%	8.6%	13.4%	6.3%	-1.2%	2.0%

Average % Change of the Broad Market Indices: +7.0%

The broader market indexes are up on average +7.0% from their November 2025 closing lows vs. +6.9% for the DJIA resulting in a Neutral 0 reading. Breadth was positive for the month at the NYSE as the Advance/Decline Line added 5816 units vs. a decline of 484 units in December while the number of new 52-week highs exceeded the number of new lows on all 20 sessions. Breadth was positive at the NASDAQ as the A/D line gained 3710 units vs. a loss of 4800 units in December.



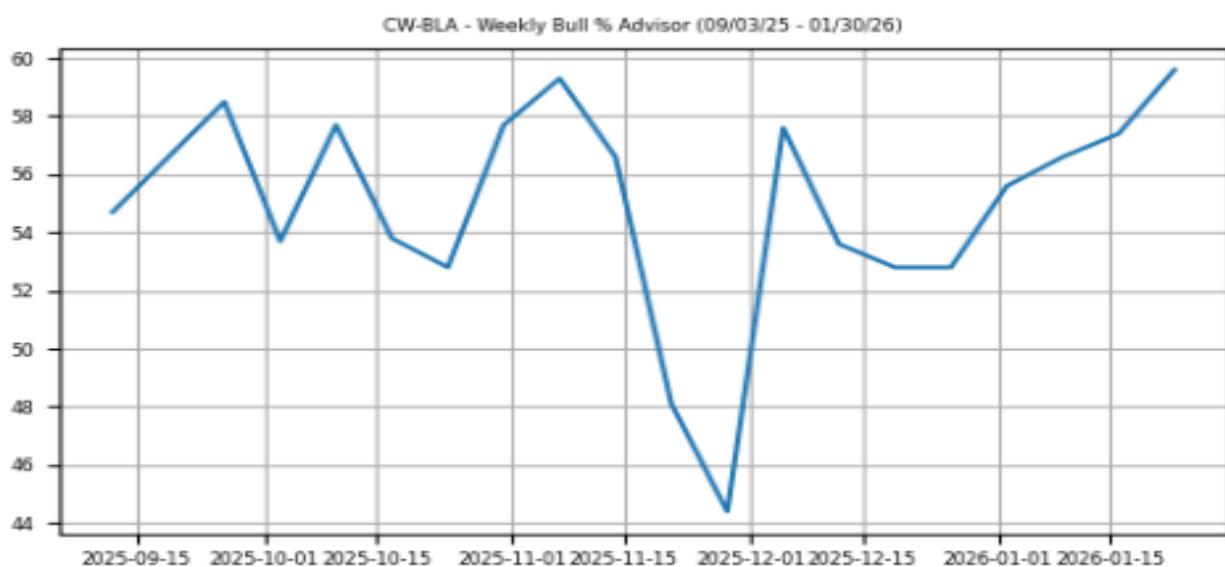
The number of new 52-week lows exceeded the number of new highs at the NASDAQ on 17 of 20 sessions. Finally, the percentage of stocks above their 50-day moving average rose to 67.3% vs. 58.4% from the previous month while those above their 200-day moving average increased to 68.7% vs. 66.1%. Readings above 70.0% denote an overbought condition.



Sentiment Index: Negative

The Sentiment Index ended the period at a Negative -6, up one notch from the previous month. The Sentiment Index tracks thirteen market indicators that measure excessive bullish or bearish conditions prevalent in the market. Whenever the crowd becomes overly optimistic (a bearish condition), the readings from the Sentiment Index will drop into negative ground. Conversely, when fear is rampant (a bullish condition), the index will be in the +3 to +8 area.

NYSE short interest was up +0.3% and 2.7 days of average volume for the period ending 1/15/26 vs. being down -0.5% and 2.3 days of average volume to cover at the end of December. Short interest at the NASDAQ was up +2.1% and 2.3 days of average volume to cover at the end of December vs. a +1.0% increase and 1.8 days average volume to cover on 12/15/25. The Fear and Greed Index (60.4 vs. 52.4), the AAII Bull-Bear Ratio (1.4 vs. 1.1) and VIX, a measurement of fear in the market (17.44 vs. 13.60) are Neutral. The NAAIM Exposure Index (92.6 vs. 95.1), the Percentage of Bullish Investment Advisors (61.5% vs. 52.8%), the Bullish-Bearish Investment Advisors Ratio (4.0 vs. 3.1), the Dividend Yield Spread (-2.66vs. -2.65), the Percentage of Bearish Investment Advisors (15.4% vs. 17.0%) and the Total Put/Call Ratio (0.84 vs. 0.93) are Bearish.



**To view the charts and graphs of the major market indexes and pertinent technical indicators that are incorporated in the Momentum and Sentiment indexes, go to the Market-At-A-Glance section located under Market Recap on the Market Edge home page.

Market Posture: Positive

Based on the status of the Market Edge, market timing models, the 'Market Posture' is Positive as of the week ending 11/28/2025 (DJIA – 47716.42).

Market Posture Performance 2023-2026

The following is the performance record of the Market Edge 'Market Posture' for 2023 - 2026.

Projected Strong Periods:		Actual Results – DJIA
03/24/23 - 05/05/23 (32237.53 – 33674.38)	DJIA Gain/Loss	+1436.85
07/21/23 - 08/18/23 (35227.69 – 34500.66)	DJIA Gain/Loss	-727.03
10/13/23 - 12/01/23 (33670.29 – 36245.50)	DJIA Gain/Loss	+2575.21
05/03/24 - 07/12/24 (38675.68 – 40000.90)	DJIA Gain/Loss	+1325.22
08/23/24 - 11/01/24 (41175.08 – 42052.19)	DJIA Gain/Loss	+877.11
12/06/24 - 02/28/25 (44642.52 – 43840.91)	DJIA Gain/Loss	-801.61
04/18/25 - 07/11/25 (39142.23 – 44371.51)	DJIA Gain/Loss	+5229.28
08/22/25 - 10/10/25 (45631.74 – 45479.60)	DJIA Gain/Loss	+152.14
11/28/25 - ??? (47716.42 – ???)	DJIA Gain/Loss	???

Projected Weak Periods:		Actual Results – DJIA
05/26/23 - 07/14/23 (33093.34 – 34509.03)	DJIA Gain/Loss	+1415.69
08/18/23 - 10/13/23 (34500.66 – 33670.29)	DJIA Gain/Loss	-830.37
01/05/24 - 03/28/24 (37466.11 – 39475.90)	DJIA Gain/Loss	+2009.79
07/19/24 - 08/23/24 (40287.53 – 41175.08)	DJIA Gain/Loss	+887.55
11/01/24 - 12/06/24 (42052.19 – 44642.52)	DJIA Gain/Loss	+2590.33
02/28/25 - 04/18/25 (43840.91 – 39142.23)	DJIA Gain/Loss	-4698.68
08/01/25 - 08/22/25 (43588.58 – 45631.74)	DJIA Gain/Loss	+2043.16
10/24/25 - 11/28/25 (47207.12 – 47716.42)	DJIA Gain/Loss	+509.30

While the CTI is typically regarded as either a Bullish or Bearish connotation, at times mixed readings from several indicators related to the CTI will result in a Neutral - Market Posture. The dates not presented in the above tables were periods where the Market Posture was Neutral. For a closer look at the technical indicators and studies that make up the market timing models, check out the 'Market Letter (Weekly)' located on the Market Edge home page. (www.marketedge.com).

ETF Center:

The top performing ETF categories for the period ending 1/29/26 were Commodity-Precious Metals, Commodity-Energy, Commodity-Blend, Commodity-Base Metals and Sector-Energy. The weakest categories were Blend-Small Cap, Growth-Small Cap, Specialty Health, Sector-Consumer Discretionary, and Specialty Retail. To review all the categories in the Market Edge universe, click on the ETFs tab.

Industry Group Rankings: What's Hot (23) – What's Not (7)

Of the 30 Industry Groups that we track, 23 are rated as either Strong or Improving while 7 are regarded as Weak or Deteriorating. The following are the strongest and weakest groups for the period ending 1/29/26. Strongest: Metals & Mining,

Transportation, Technology Hardware and Industrial Goods. The weakest categories were Technology Services, Insurance, Telecommunications, and Infrastructure. To review all the Industry Group rankings, click on the Industries tab.